

REPORT ON EXAMINATION AS TO CONDITION OF
ASSOCIATION OF THE SONS OF POLAND
CARLSTADT, NEW JERSEY 07072-1043
AS OF DECEMBER 31, 2008
NAIC COMPANY CODE 57150

FILED

June 15, 2010

Commissioner
Department of Banking & Insurance

TABLE OF CONTENTS

	<u>Page</u>
Salutation.....	1
Scope of Examination.....	1
Compliance with Prior Examination Report Recommendations.....	2
History and Kinds of Business	3
Management and Control	3
Policy on Conflict of Interest	7
Fidelity Bond and Other Insurance Coverage.....	7
Officers/Directors and Employees Compensation, Welfare and Pension Plan	8
Policy Forms and Underwriting Practices	8
Territory and Plan of Operation.....	8
Advertising and Sales Material	10
Treatment of Policyholders	10
Accounts and Records.....	10
 Financial Statements and Other Exhibits	
Statement of Assets, Liabilities, Surplus And Other Funds at December 31, 2008 (Exhibit A).....	12
 Summary of Operations for the Period January 1, 2004 to December 31, 2008 (Exhibit B)	13
 Capital and Surplus Account for the Period December 31, 2004 to December 31, 2008 (Exhibit C).....	14
 Notes to Financial Statements	15
Examination Recommendations	16
Conclusion	17
Notary Page.....	18

Honorable Thomas Considine, Commissioner
New Jersey Department of Banking and Insurance
State of New Jersey
20 West State Street
P.O. Box 325
Trenton, New Jersey 08625-0325

March 22, 2010

Commissioner:

Pursuant to instructions and in accordance with N.J.S.A. 17:44A-35, an examination has been made of the financial condition and affairs of

ASSOCIATION OF THE SONS OF POLAND
CARLSTADT, NEW JERSEY
NAIC COMPANY CODE 57150

Hereafter referred to as the "Association" or "Society".

SCOPE OF EXAMINATION

The examination was conducted at the home office of the Association of the Sons of Poland, located at 333 Hackensack Street, Carlstadt, New Jersey 07072 and covered the five year period from January 1, 2004 through December 31, 2008. The New Jersey Department of Banking and Insurance has adopted a modified NAIC short form report which will only address significant balance sheet accounts, adverse findings and other important regulatory information disclosed by the examination process. All other financial matters were reviewed and determined not to be material for discussion in this report.

The procedures outlined in the National Association of Insurance Commissioners financial condition handbook were used as guides for the examination of the various accounts and records and included the use of direct verification as well as numerous tests, some complete and others on a partial basis. In determining the emphasis to be placed on specific accounts, consideration was given to the Company's system of internal controls, the nature and size of each account and its relevance to solvency.

No balance sheet accounts were designated special emphasis. The following accounts were assigned a standard emphasis:

Aggregate reserve life certificates and contracts
Contract claims - Life
Bonds, Stocks and Short Term Investments
Cash on Hand and on Deposit
Real Estate
Contract Loans
Investment Income due and accrued
Unassigned Funds

The remainder of the balance sheet accounts were assigned to either reduced emphasis or analytical review status for purposes of this examination.

In addition to the above balance sheet accounts, the following areas were also reviewed.

History and Kinds of Business
Territory and Plan of Operation.
Management and Control
Policy on Conflict of Interest
Fidelity Bond and Other insurance Coverages.
Officers and Employee Welfare and Pension Plans
Policy Forms and Underwriting Practices
Accounts and Records
Advertising
Treatment of Policyholders

In conducting this examination, some reliance will be placed upon work performed by the independent auditor and the actuarial work was completed by the actuaries of the New Jersey Department of Banking and Insurance.

COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS

It was recommended that the Board of Directors approve all purchases and sales of investments and that its approval be noted in the Board minutes.

The Association complied with the recommendation and it was implemented.

It was recommended that the Association escheat all funds that have been held by the Association for a time period exceeding the escheat requirement.

The Association complied with the recommendation and it was implemented.

It was recommended that the Association maintain documentation to support the designations assigned to investments.

The Association complied with the recommendation and it was implemented.

HISTORY AND KIND OF BUSINESS

The Association of the Sons of Poland commenced business as a fraternal benefit society in 1903. The Society was incorporated under provision of an act of the Legislature of the State of New Jersey entitled "An Act to Incorporate Association not for Pecuniary Profit" approved April 21, 1898 and several supplements thereto and acts amendatory thereof. The Certificate of Incorporation was executed on February 24, 1911, recorded in the Office of the Clerk of Hudson County on February 27, 1911. Mergers with other similar fraternals were effected in various years, the last being the Polish Alliance in the East on February 26, 1914.

The Society is currently authorized to transact the business of insurance as specified in N.J.S.A. 17:44A et seq. The Society's principal office is located at 333 Hackensack Street, Carlstadt, New Jersey 07072. The registered agent upon whom process may be served is Dorothy Kostecka-Wieczerek, the General Secretary of the Association.

The Association of the Sons of Poland is a Fraternal Beneficiary Society which is composed and based upon a system of federated societies called The Lodges. The Lodges exist and operate in accordance with the Constitution, By-Laws, Rules and Regulations of the Association without infringement upon their autonomy and their funds.

The legislative and appellate power is vested in a convention, the membership of which shall consist of duly elected delegates of the Lodges.

MANAGEMENT AND CONTROL

The supreme legislative and appellate powers of the Society are vested in a convention of representatives of the members composed of duly elected delegates from the branch lodges. A regular convention is held every four years the most recent being held on May 17, 2008. All proposed amendments as indicated in the Association quadrennial convention minutes of the Revision of Constitution Committee were ratified at the convention.

The executive and administrative powers of the Association are vested in the Board of Directors elected at the convention. The Constitution and By-laws state that the Board of Directors shall manage the business of the Society and do and perform all that shall be proper, necessary and lawful to accomplish its objectives and purposes. The Association's Board of Directors is composed of fourteen

members. The Board of Directors duly elected at the Convention is composed of the following:

President
Vice President
Secretary
Treasurer
Chaplain
General Counsel
Medical Director
Seven Directors, one shall be domiciled and a delegate in the State of New York

The following members were serving at December 31, 2008:

Frank Knurowski – President 52 Wall Street E. Rutherford, NJ 07073	Machine Operator
Louis J. Gill – Vice President 22 Albion Street Passaic, NJ 07055	Teacher
Dorothy Kostecka-Wieczerek 31 Hawthorne Terrace Leonia, NJ 07605	Secretary
Wallace Nowosielecki – Treasurer 1 Garners Lane Elmwood Park, NJ 07407	Bergen County Investments
Rev. Thaddeus Stasik – Chaplain 60 Home Avenue Rutherford, NJ 07070	Retired
Walter J. Tencza, Esq. – General Counsel 40 Passaic Avenue Passaic, NJ 07055	Attorney
Adam Lesiczka – Medical Examiner 12 Woodland Road W. Caldwell, NJ 07006	Physician

Krzysztof Rybkiewicz
47 Sutton Street
Brooklyn, NY 11222

Owns Construction
Business

Dorothy Jaworski – Director
51 Johnson Road
Hackettstown, NJ 07840

Teacher – Realtor

Helen Oranchak
24 Washington Pkwy
Bayonne, NJ 07002

Retired

Janet Piscopo
11 Karen Street
Spotswood, NJ 08884

Data Entry for Post Office

Dayle Vander Sande
317 W. 105 Street Apt 3A
New York, NY 10025

Organist

Henry Walentowicz Esq.
3 Old Farm Court
Montville, NJ 07045

Attorney

Note – Ted Bednarski, the previous President, passed away in 2008 and was replaced by Frank Knurowski. A vacancy was filled in 2009.

Employee Supervisory Committee

Frank Knurowski – President
Louis J. Gill – Vice President
Dorothy Kostecka-Wieczerek – Secretary
Dayle Vander Sande – Director

Investment Committee

Wallace Nowosielecki – Treasurer
Frank Knurowski - President
Dorothy Kostecka-Wieczerek - Secretary
Henry Walentowicz, Esq. - Director
Dorothy Jaworski – Director

Audit Committee

Louis J. Gill – Vice President
Helen Oranchak – Director
Janet Piscopo -- Director

Marketing Committee

Krzysztof Rybkiewicz – Director

Dayle Vander Sande – Director

As required by the Association's Constitution and By-Laws, the Board of Directors held regular monthly meetings. The Board of Director meetings were well attended. Eight members of the Board constitute a quorum, which is the minimum number required to enact solid proceedings at the meetings.

The By-Laws state that "the election of the members of the Board of Directors shall be by a secret ballot. If there shall be more than one (1) candidate for the office and position of President, Vice President, Secretary, Treasurer, Chaplain, Medical Examiner and General Counsel, the candidate who receives the highest number of votes shall be elected to said office and position. As to the Directors, if there shall be a number of positions to be filled, the candidate(s) who receive the highest number of votes shall be elected to said office(s) and position(s). In the event of a tie vote between candidates for any office and position, an election shall be held between the candidates with the tie vote by secret ballot and the candidate who receives the highest number of votes shall be elected to said office or position. If more than one (1) candidate for Director shall be representative of a lodge of the State of New York, the candidate receiving the highest number of votes shall be deemed elected as the Director of said state".

President – The President shall be the chief executive officer of the Association; he shall preside at all meetings; he shall manage the business of the Association and the accomplishment of its objects and purposes and shall see that all orders and resolutions of the Board are carried into effect; he shall sign all checks and vouchers, certificates and policies of insurance and all other documents and papers as may be required.

Vice President - The Vice President shall act and serve in the absence of the President and do and perform all duties imposed and delegated by the Board of Directors.

Secretary – The Secretary shall supervise the operation of the office of the Association and the performance of the business and affairs therein and the activities and functions of the personnel and do and perform all that shall be necessary and required to accomplish the business, objects and purposes of the Association; attend all meetings of the Board of Directors and prepare the agenda therefore; give or cause to be given notice of all meetings and all matters or functions as shall be required by the Board or otherwise; record all votes and minutes of all proceedings in a book kept for that purpose; keep in safe custody the seal of the Association and affix it to all documents, papers, instruments and records as required by law or otherwise in a proper and safe manner; assist in the supervision of the performance of his duties and in the supervision of the performance of same by others as shall be required and imposed by the Board.

Treasurer – The Treasurer shall have the custody of the funds and securities of the Association and keep and maintain same in a safe and proper manner; deposit or cause to be deposited all money and other valuables in the name and to the credit of the Association in such depositories as may be designated by the Board; to keep or cause to be kept and to supervise such keeping of full and accurate accounts of receipts and disbursements and other financial transactions of the Association; when authorized by the Board to report and to report to the Board as required at meetings and other times all financial transactions and the financial condition of the Association; and to do and perform all other duties as may be prescribed by the Board and shall deposit all funds within twenty-four (24) hours of their receipt.

Chaplain – The Chaplain shall conduct and preside over all religious and spiritual activities and services; give and render spiritual guidance and counseling to the members, Lodges and whenever required; and to do and perform duties commensurate with the vocation and training as shall be prescribed and recommended by the Board.

Directors – The Directors shall do and perform all that shall be proper and meaningful to promote membership in the Association and to encourage active participation in the Lodges and all activities and functions of the Association.

A review was made of the Board and all Committee minutes for the period covered by this examination. The review determined that the minutes ratified all Association transactions and events.

POLICY ON CONFLICT OF INTEREST

Questionnaires are sent to and are completed by the members of the Board of Directors, elected Officers, Chief Medical Examiner, General Counsel and the Chaplain. The Association's Audit Committee reviews the completed conflict of interest questionnaires and provides a summary to the Board. This is noted in the minutes of the Board of Director meeting and also approved by the Board.

It is the Officer's responsibility to report any changes occurring after the questionnaire is completed. Officers, Board members and other members of the Association filed questionnaires for each of the five years under examination.

FIDELITY BOND AND OTHER INSURANCE COVERAGE

A review of the fidelity bond indicated that the Association maintains coverage which is in excess of the NAIC suggested minimum. The Bond is with St. Paul Fire & Marine Company and has a single loss limit of \$100,000 and a single loss deductible of \$5,000.

The Association also maintains an insurance policy for property with Penn National Mutual Casualty Insurance Company. This policy provides protection for buildings and contents, business income, earthquake and inland marine coverage. It is underwritten by Selective Insurance Company of America and has the following limits:

1. Building - \$65,000
2. Liability & Medical Expenses - \$1,000,000 per occurrence
3. Medical Expenses - \$5,000 per occurrence
4. Fire Legal Liability - \$50,000 per occurrence

Workers Compensation is underwritten by Penn National Mutual Casualty Insurance Company. The following are policy limits:

- Bodily Injury per accident - \$100,000 each accident
- Bodily Injury per disease - \$100,000 each employee
- Bodily Injury per disease - \$500,000 total policy

OFFICERS/DIRECTORS AND EMPLOYEES COMPENSATION, WELFARE AND PENSION PLAN

The Secretary of the Association, Dorothy Kostecka-Wieczerek, conducts the everyday operations from the home office in Carlstadt, New Jersey. Also, the Association has two full time employees to assist the Secretary. The fringe benefits that are provided by the Association for its office employees and Directors are as follows:

1. The full time office employees including the Secretary have a group health plan with Amerihealth Insurance Company of New Jersey. The Society also has a special savings account for employee dental care expenses.
2. After one year of employment, an employee is entitled to one week's paid vacation. After two years, each employee may take up to two weeks, or a total of ten days of paid vacation, which may be taken at one time, or at the convenience of the employee. Full time staff, including the Secretary, is entitled to five (5) sick days per year. In addition the employees are entitled to eight paid holidays. After 15 years of employment an additional week of vacation will be given.
3. The Association does not have a pension plan for any employee or Director.

POLICY FORMS AND UNDERWRITING PRACTICES

Applicants in good health may submit non-medical applications for the following maximum amounts of insurance with the age classifications based on the age at the nearest birthday. As of January 1, 2009 all certificates are being

written based upon the 2001 CSO Blended Mortality Table. The Society writes the following types of coverage:

Whole Life
Single Premium Life
Twenty Year Payment Life
Five Year Payment Life
Twenty year Endowment

The following are limits of Face Values issued without medical examination:

For 20 Payment Life and Endowment:

\$20,000	0 to age 40
\$10,000	41 to age 55
\$5,000	56 to age 65
\$3,000	66 to age 70

For Single Premium and 5 Year Pay Life:

\$20,000	0 to age 40
\$10,000	41 to age 65
\$5,000	66 to age 70
\$3,000	71 to age 80

For single Premium Life Only:

\$3,000	80 to age 85
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Juvenile term insurance to age 25 is also available. The Association does not issue certificates providing disability benefits, accidental death benefits or sickness benefits.

TERRITORY AND PLAN OF OPERATIONS

The Association is licensed to do business as a fraternal benefit society in the States of New Jersey and New York.

The Association employs two full time employees who conduct the daily operations of the Association along with the Secretary General. The principal office of the Association is in the Borough of Carlstadt, New Jersey.

The objectives of the Association are to unite all American citizens and nationals of Polish descent, origin or background, to promote education, to render fraternal mutual assistance in distress and to help the widowed and orphaned families.

Exemplifying the ideals of the Constitution of the United States of America, the Association acknowledges religious freedom and may accept as members, Americans of Polish descent of Christian creeds.

The Association is composed of and based upon the system of federated societies hereinafter called the Lodges. The Lodges exist and operate in accordance with the Constitution, By-laws, Rules and Regulations of the Association without infringement upon their autonomy and their funds.

The Society does not have any authorized agents.

ADVERTISING & SALES MATERIAL

The Association advertises regularly in the Polish American Journal, a national publication that acts as the official publication for five fraternal organizations. Occasionally, the Society will also submit an advertisement in souvenir journals issued at various Polish American social events. The Association complies with the N.J.S.A. 17B-18-48 whereby when assets are advertised, liabilities must also be advertised in print, as conspicuous as the assets.

TREATMENT OF POLICYHOLDERS

A review was made of the complaints filed with the Enforcement and Compliance Division, Department of Banking and Insurance, for the period of the examination. The complaint register maintained by the Association in compliance with N.J.S.A. 17B:30-13 was also reviewed. The review of policy files indicated that the policyholders were treated in a fair and satisfactory manner.

ACCOUNTS AND RECORDS

The general books of accounts and records are maintained at the Association's administrative office located at 333 Hackensack Street, Carlstadt, New Jersey 07072. At December 31, 2008, the computerized general ledger was maintained on a statutory accounting principles (SAP) basis for the statutory statements filed with the New Jersey Department of Banking and Insurance.

The following systems were used by the Association:

<u>System</u>	<u>Description</u>
IMS	Insurance Management System
PC Network	Used to Access the above system

The Association's billing system is based on monthly Lodge Assessments which contains two pages and mailed on or around the first (1st) day of each month to the Financial Secretary of each Lodge.

Financial Secretaries receive a small commission per dues paying members, on a quarterly basis. Once a year, each Lodge/Group receives a small commission based on the number of dues paying members per month. As new members are introduced, the introducer receives a one-time commission of four months premium for dues paying members and \$15.00 per thousand face amount written of Single Premium Life.

For death claims and cash surrenders, the home office is usually notified by the beneficiary or member. Matured policyholders receive notification from the Home Office and then choose from three options, one requires full payment of the total endowment proceeds the other two options will continue insurance with partial cash payment. All of these claims are processed by the Home office staff.

All investments are handled by the Association's Treasurer with initial selections presented to the investment committee composed of the President, Secretary and two (2) Directors.

The independent accounting firm of Vision Financial Group CPAs, LLP of Morganville, New Jersey examined the statutory basis statements of admitted assets, liabilities and unassigned funds of the association of the Sons of Poland as of December 31, 2008 and related statutory statements of Income and Cash Flows for the year ended and offered the opinion that those "financial statements present fairly, in all material aspects, the admitted assets, liabilities, and unassigned funds of the Association of the Sons of Poland as of December 31, 2008 and 2007, and the results of operations, and statement of changes in unassigned funds and cash flows for the year then ended, in conformity with accounting practices prescribed or permitted by the New Jersey Department of Banking and Insurance and the National Association of Insurance Commissioners, which is as comprehensive basis of accounting other than generally accepted accounting principles."

A backup of all computer files is made on a weekly basis and a copy of those files is removed from the premises to insure the continuity of operations in the event of damage to the on-site records.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

Financial statements and other exhibits are presented as listed below:

**Statement of Assets,
Liabilities, Surplus and Other Funds at
December 31, 2008**

	Balance Per Examination <u>12/31/2008</u>	Balance Per Company <u>12/31/2008</u>	Examination Change	<u>Exhibit A</u> Note Number
<u>Assets:</u>				
Bonds	\$3,407,141	\$3,407,141	\$0	1
Preferred stocks	1,530,000	1,530,000	0	1
Common stocks	35,267	35,267	0	1
Real Estate	115,789	115,789	0	2
Cash on hand and on deposit & Short term investments	418,051	418,051	0	
Contract Loans	9,212	9,212	0	
Investment Income due and accrued	50,600	50,600	0	
Uncollected premiums and agents' balances in course of collection	5,541	5,541	0	
Aggregate write-ins for other than invested assets:				
Security Deposit	<u>250</u>	<u>250</u>	<u>0</u>	
Total Admitted Assets	<u>\$5,571,851</u>	<u>\$5,571,851</u>	<u>\$0</u>	
<u>Liabilities, Surplus and Other Funds:</u>				
Aggregate Reserves for Life Certificates and Contracts	\$3,236,109	\$3,236,109	\$0	3
Contract Claims: Life	78,679	78,679	0	3
Premiums & Annuity Considerations Received in Advance	9,809	9,809	0	
Interest Maintenance Reserve	17,543	17,543	0	
Commissions Due and Accrued	125	125	0	
General Expenses Due or Accrued	9,279	9,279	0	
Taxes, Licenses and Fees Due or Accrued	37,380	37,380	0	
Amounts withheld or Retained by Society as Agent or Trustee	2,759	2,759		
Asset Valuation Reserves	<u>15,952</u>	<u>15,952</u>	<u>0</u>	
Total Liabilities	<u>\$3,407,635</u>	<u>\$3,407,635</u>	<u>\$0</u>	
Surplus:				
Unassigned Funds	<u>2,164,216</u>	<u>2,164,216</u>	<u>0</u>	4
Total Liabilities and Surplus	<u>\$5,571,851</u>	<u>\$5,571,851</u>	<u>\$0</u>	

Summary of Operations
for the period
January 1, 2004 to December 31, 2008

Exhibit B

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Revenue</u>					
Premiums & Annuity Considerations	71,825	68,895	64,010	50,743	63,356
Net Investment Income	286,247	280,326	267,487	289,069	302,939
Amortization of Interest Maintenance Reserve	17,201	13,989	10,512	7,804	6,324
Aggregate Write-Ins for Miscellaneous Income	<u>6,485</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>381,758</u>	<u>363,210</u>	<u>342,016</u>	<u>347,616</u>	<u>372,619</u>
<u>Deductions</u>					
Death Benefits	148,404	90,013	136,986	82,819	118,686
Matured Endowments	30,459	24,885	4,838	8,058	11,107
Surrender Benefits	29,929	36,663	14,820	13,264	29,802
Increase in Aggregate Reserve for Life & Health					
Certificates and Contracts	(64,899)	(1,706)	(10,136)	11,763	(34,683)
Commissions on Premiums	1,800	5,107	1,551	2,260	2,452
General Insurance Expenses and Fraternal					
Expenses	337,221	326,008	333,762	356,547	339,917
Insurance Taxes, Licenses & Fees	<u>56,986</u>	<u>16,328</u>	<u>23,662</u>	<u>7,711</u>	<u>13,522</u>
Total Deductions	<u>539,890</u>	<u>497,298</u>	<u>505,483</u>	<u>482,422</u>	<u>480,803</u>
Net Gain from Operations Before Refunds to					
Members	(158,132)	(134,088)	(163,467)	(134,806)	(108,184)
Refund to Members	0	0	0	0	0
Net Realized Capital Gains	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,791</u>
Net Income	<u>(158,132)</u>	<u>(134,088)</u>	<u>(163,467)</u>	<u>(134,806)</u>	<u>(104,393)</u>

CAPITAL AND SURPLUS ACCOUNT
For the period December 31, 2004 to December 31, 2008

Exhibit C

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Gains and losses in surplus:					
Net income from operations	(158,132)	(134,088)	(163,467)	(134,806)	(104,393)
Net unrealized capital gains or (losses)	(1,824)	(475)	(11,583)	(28,731)	(162,548)
Change in non-admitted assets	4,827	3,142	1,313	(8,076)	4,559
Change in reserve on account of change In valuation basis	(50,000)	0	0	0	0
Change in asset valuation reserve	2,421	(4,088)	11,967	11,416	27,847
Aggregate write-ins for gains and losses in surplus	<u>5</u>	<u>0</u>	<u>0</u>	<u>7</u>	<u>0</u>
Change in surplus as regards policy- holders for the year	(202,703)	(135,509)	(161,770)	(160,190)	(234,535)
Surplus at beginning of period	<u>3,058,925</u>	<u>2,856,222</u>	<u>2,720,713</u>	<u>2,558,943</u>	<u>2,398,753</u>
Surplus at end of period	<u>2,856,222</u>	<u>2,720,713</u>	<u>2,558,943</u>	<u>2,398,753</u>	<u>2,164,218</u>

NOTES TO FINANCIAL STATEMENTS

Note

1. Bonds and Stocks

The custodial agreement with Bank of America did not contain a proper indemnification clause. Clause X of the Custodial Agreement seems to imply that the Custodians are responsible for the replacement of securities due to its loss or negligence. However the wording of the agreement does not explicitly state the Custodian's responsibility to replace said securities should it be found responsible for them by negligence or loss. Therefore it is recommended that the Company should seek to have stronger language inserted into the agreement to better protect the securities entrusted to the Custodian.

2. Real Estate

It was noticed that for real estate the Society was depreciating the fair market value of the home office building rather than the actual cost. It is recommended that the Society should recalculate their real estate depreciation based on the cost rather than the market value.

It was noticed that the Society indicated in the Annual Statement the appraisal date of their office building as 7/1/92 when the actual appraisal date was 5/9/1990. It is recommended that the Society report the correct appraisal date in the Annual Statement.

3. Aggregate Reserves and Life Contract Claims

The Company reported an amount of \$3,236,109 for aggregate reserves for life certificates and contracts and an amount of \$78,679 for life contract claims, as of December 31, 2008. These amounts were verified as follows:

Aggregate reserves for life certificates and contract – This amount of \$3,236,109 was verified by the Chief of the Valuation Division of the New Jersey Department of Banking and Insurance and no major discrepancies were noted.

Life contract claims – This amount of \$78,679 was verified by the examination of the Association's records including death certificates, policies and cancelled checks in subsequent periods. No discrepancies were noted.

Based on the audit steps performed, this account is accepted as reported by the Association for purposes of this examination.

4. **Unassigned Funds**

The Society's unassigned funds as reported by the Society and as determined by this examination was \$2,164,216.

EXAMINATION RECOMMENDATIONS

Page

Bonds and Stocks

- 15 The custodial agreement with Bank of America did not contain a proper indemnification clause. Clause X of the Custodial Agreement seems to imply that the Custodians are responsible for the replacement of securities due to its loss or negligence. However the wording of the agreement does not explicitly state the Custodian's responsibility to replace said securities should it be found responsible for them by negligence or loss. Therefore it is recommended that the Company should seek to have stronger language inserted into the agreement to better protect the securities entrusted to the Custodian.

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Real Estate

- 15 It was noticed that the Society indicated in the Annual Statement the appraisal date of their office building as 7/1/92 when the actual appraisal date was 5/9/1990. It is recommended that the Society report the correct appraisal date in the Annual Statement.

CONCLUSION

A regular statutory condition examination was conducted by the undersigned with the assistance of fellow examiners of the New Jersey Department of Banking and Insurance examination staff.

The examination and audit was conducted at the Society's office in Carlstadt, New Jersey. The courteous assistance and cooperation of the Society's officers and employees is acknowledged.

Respectfully Submitted,

/S/

Daniel J. Fialkowski, CFE, AIE, FLMI, CPM
Examiner-In-Charge

ASSOCIATION OF THE SONS OF POLAND

I, Daniel J. Fialkowski, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the Association of the Sons of Poland as of December 31, 2008 to the best of my information, knowledge and belief.

Respectfully submitted,

/S/

Daniel J. Fialkowski, CFE, AIE, FLMI,
CPM
Examiner-in-Charge

State of New Jersey
County of Mercer

Subscribed and sworn to before me on this 26th day of April 2010.

/S/

Thomas B. Walker
Notary Public of New Jersey